

Message Text

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43

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01

USIA-15 /116 W

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R 051015Z MAR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2414

INFO AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

UNCLAS KUWAIT 1029

DEPT PASS FEA FOR ROBERT COPAKEN FROM BOGOSIAN

E.O. 11652: N/A

TAGS: ENRG, EWWT KU

SUBJECT: KUWAIT SHIPPING ACTIVITIES

REF: COPAKEN-BOGOSIAN LETTER, DATED FEBRUARY 21, 1975

1. HAVE JUST RECEIVED REFLETTER AND REPLYING BY CABLE IN EFFORT PROVIDE INFO PRIOR TO COPAKEN DEPARTURE FRO LONDON. SUGGEST HE BEGIN ANALYSIS OF KUWAITI SHIPPING BY OBTAINING COPY OF KUWAIT A-36, DATED MAY 15, 1974 (UNCLASSIFIED). IN ADDITION HE SHOULD SEE ARTICLE ON PAGE 22 OF LONDON FINANCIAL TIMES OF FEBRUARY 26, 1975. EMBASSY CURRENTLY PREPARING UPDATE OF A-36 WHICH HOPEFULLY WILL REACH LONDON WHILE COPAKEN THERE.

2. KUWAIT OIL TANKERS COMPANY, WHICH STILL COMPLETELY PRIVATELY OWNED, HAS RECENTLY TAKEN DELIVERY OF FIRST ULCC "AL-ANDALUS" WHICH WAS BUILT IN SPAIN AND IS CURRENTLY UNDERGOING SEA TRIALS.
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IT HAS THREE MORE ULCC'S ON ORDER IN FRANCE AND JAPAN, AND

WHEN THEY ARE DELIVERED KOTC WILL OWN 10 VESSELS WITH TOTAL OF SOME 2 MILLION DWT. GOK HAS ORDERED FOUR LPG TANKERS DIRECTLY FROM LA CIOTAT SHIPYARDS IN FRANCE; GOK IS PART OWNER OF THE YEAR. A PRIVATE KUWAITI/AMERICAN/JAPANESE/FRENCH JOINT VENTURE HAS ORDERED THREE 53,000 CUBIC METER TANKERS FROM SPAIN.

3. IN ADDITION TO THESE ORDERS WHICH HAVE ALREADY BEEN PLACED, KUWAIT NATIONAL PETROLEUM COMPANY IS SERIOUSLY CONSIDERING DEVELOPING ITS OWN FLEET OF PRODUCT CARRIERS, AND IS THINKING IN TERMS OF AN INITIAL FLEET OF SIX 70,000 DWT CARRIERS. SHOULD ALSO BE NOTED THAT KUWAIT PLAYING ACTIVE ROLE IN DEVELOPMENT OF ARAB MARITIME PETROLEUM TRANSPORT COMPANY WHICH BASED HERE AND WHICH HAS ORDERED SIX TANKERS AND CONSIDERING OFFERS FOR FOUR PRODUCT TANKERS. GOK MAY BUY INTO KOTC TO FINANCE ADDITIONAL EXPANSION OF THAT COMPANY AND/OR TO FORM COMPANY WITH KOTC TO OPERATE LPG CARRIERS.

4. SHOULD ALSO BE NOTED THAT KUWAIT SHIPPING COMPANY, A MIXED GOK/PRIVATE DRY CARGO COMPANY HAS BEEN EXPANDING RAPIDLY AND NOW HAS AFLOAT OR ON ORDER 47 SHIPS TALLING ALMOST 1 MILLION DWT OF CARGO SHIPS. UNITED FISHERIES COMPANY OF KUWAIT IS LARGEST SHRIMP FISHING COMPANY (IN TERMS OF BOATS) IN WORLD.

5. KUWAITI ACTIVITY IN TANKER AREA IS OF LONG STANDING. KOTC ESTABLISHED PRIOR TO INDEPENDENCE. KUWAIT HAS LONG MARITIME TRADITION, AND TANKERS FIT IN NICELY AS PETROLEUM-RELATED, CAPITAL INTENSIVE INDUSTRY. TANKERS, THEREFORE, MEET IMPORTANT CRITERIA THAT, FOR EXAMPLE, NEW INDUSTRIAL ACTIVITY BE BASED ON ECONOMIC REALITIES OF KUWAIT AND, IF POSSIBLE, THAT SUCH ACTIVITY NOT EXACERBATE POPULATION BALANCE. PERHAPS MOST IMPORTANTLY TO KUWAITIS, SUCH ACTIVITY IS PROFITABLE. BOTH KOTC AND KSC HAVE BEEN CONSISTENTLY PROFITABLE OVER THE YEARS. PRIMARY KUWAITI PURPOSE IN GETTING INTO TANKERS AND OTHER SHIPPING ACTIVITIES IS COMMERCIAL.

6. KUWAITIS HAVE TAKEN STEPS TO ASSURE MARKET SHARE FOR THEIR TANKERS. KUWAITI CRUDE OIL SALES CONTRACTS CONTAIN PROVISIONS THAT GIVE PREFERENCE TO OIL THAT WILL BE MOVED IN BOTTOMS OF SHIPS OWNED BY KUWAITIS OR IN WHICH KUWAITIS OWN A SHARE. FOR NOW THAT MEANS KOTC OR AMPTC.

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7. WE CANNOT DENY THAT INCREASING KUWAITI OIL TRANSPORT (OR FOR THAT MATTER REFINING AND MANUFACTURING) CAPABILITY COULD BE USED IN ANOTHER OIL EMBARGO. ON BALANCE WE JUDGE THAT KUWAITI TANKER AND SHIPPING ACTIVITY WOULD BE USED FOR POLITICAL PURPOSES ONLY UNDER WHAT GOK CONSIDERS EXTREME OR WAR CONDITIONS. IN ANY CASE VERY LOW LEVEL US IMPORTS OF KUWAITI CRUDE AND LIMITED SIZE OF KUWAITI TANKER FLEET WILL PROVIDE GOK WITH ONLY

MINIMAL LEVERAGE OVER US EVEN IF BOYCOTT IMPLEMENTED AS
ENVISAGED IN REFLETTER.
STOLTZFUS

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